



RECIPIENT CONTRACTED AUDIT PROCESS

NOTE: The Recipient Contracted Audit program (RCA) is a Mission program, hence the need for Mission's Audit Management Officers (AMOs) to be actively involved in the management of the process.

1. The RCA – Audit Process

- a. Recipient prepares audit Statement of Work (SOW) and submits it to the USAID Mission for approval;
- b. USAID Mission reviews the SOW to ensure that it contains all the requirements of the Guidelines for Financial Audits Contracted by Foreign Recipient. If the SOW received by the Mission is unacceptable, the Mission must request the recipient to make the required changes to the SOW and re-submit it to the Mission for approval. A copy of the standard SOW can be found at <http://www.usaid.gov/missions/sa/businessb.html>
- c. USAID Mission approves SOW and provides a copy of the approved SOW to the recipient;
- d. Recipient provides approved SOW to a selection of audit firms from RIG/Pretoria's list of approved "Regular" status firms. If no "Regular" status firms exist in the country, "Conditional" status firms may be approached.
- e. Recipient solicits quotations/proposals from the firms to perform the audit;
- f. Recipient selects an audit firm and notifies USAID Mission of the choice of audit firm. USAID Mission approves or disapproves the recipient's choice of firm. If the USAID Mission disapproves the recipient's choice of firm, the recipient must select another firm. NOTE: Audit Fees cannot be a controlling factor in the choice of a firm.
- g. Recipient uses the approved SOW as the basis of the audit contract between them and the audit firm;
- h. Audit Contract is accepted and signed by the selected audit firm;
- i. Selected auditors schedule an Entrance Conference and notify USAID Mission of dates, times and venue;
- j. Entrance Conference is held. USAID representatives must attend Entrance Conference. Proceedings must be minuted by the auditors and included in the working papers. Recommended items for the entrance conference agenda would be discussion of the difference between questioned costs and disallowed costs, the RCA process, the anticipated dates of fieldwork, information needed by the auditors from the recipient and the mission, and discussion of what a "reasonable time" is for management responses to draft audit report;
- k. Auditors begin their audit fieldwork. During field work, matters or issues identified are discussed with management and staff of the recipient;
- l. USAID Mission confirms revenue figures (Advances and Reimbursements for the period audited) to the auditors;

- m. Field work is completed;
- n. Auditors schedule Exit Conference and Notify USAID Mission of dates, times and venue (note: the exit conference is normally held on the last day of the fieldwork);
- o. Exit Conference is held to discuss the RCA process from date of Exit Conference to date of submission of final signed audit report and to discuss the findings from the audit. Any findings not resolved during the exit conference must be included in the audit report. Proceedings must be minuted by the auditors and minutes must be included in the audit documentation;
- p. Auditors draft the audit report;
- q. Auditors distribute audit report to recipient for comments. NOTE: USAID Missions must not perform reviews of draft reports from auditors.
- r. Recipient is given reasonable time (determined by the auditors) to provide written comments/responses to each of the findings in the audit report.
- s. Auditors evaluate and incorporate Recipient's management comments or responses verbatim in the draft audit report. (NOTE: No additional audit work will be performed by the auditors);
- t. Auditors finalize the report (sign and date it) and submit copies to the USAID Mission, specifically, the Financial Management Office. If Recipient management does not provide comments to the findings within the time frame stipulated by the auditors, the report must still be finalized and issued to USAID without management comments;
- u. USAID Mission submits copies of the finalized report to RIG/Pretoria for issuance; and
- v. RIG/Pretoria reviews and issues the final report.